



MAYOR & COUNCIL COMMUNICATION

June 17, 2008

Subject: Public Hearing - Proposed Transit Fare Increase (Citywide) Page 1 of 4

Issue – The City’s public transportation system faces budgetary challenges for FY 08-09 and FY 09-10. To address the anticipated budget gap, the Tucson Department of Transportation (TDOT) is requesting direction and approval to proceed with a plan to increase transit fares effective July 1, 2008, thereby avoiding service reductions to Sun Tran and Van Tran.

Recommendation – It is recommended that at the close of the Public Hearing, Mayor and Council approve the Ordinance (*Attachment A*) authorizing the Transit fare increase as published on May 17, 2008 and on June 8, 2008 to address the FY 08-09 and FY 09-10 budget shortfall effective July 1, 2008, (*Attachment B*), or provide an alternate fare structure for staff to implement on July 1, 2008. The Ordinance amends Tucson Code, Chapter 2, Article I, Section 2-18 (Sun Tran Fares), Section 2-19 (Van Tran Fares), Section 2-21 (Promotional Discount Fare Program), and Section 2-22 (Transit System Fare Subsidy Program).

Background – Transit fares have remained unchanged for the past eight years. The last fare increase occurred on July 1, 2000, when Sun Tran’s full one-way fare increased from 85 cents to \$1.00. The economy one-way fare offered to persons with disabilities, persons 65 years of age and older, Medicare card holders, and persons meeting low-income criteria, was raised from 35 cents to 40 cents. Pricing for other fares and pass products was increased accordingly.

Since the last fare increase, escalating system operating costs such as fuel and labor have exceeded revenue growth. Consequently, passengers are paying a lower percentage of the operating cost of the system than they were eight years ago and the City’s General Fund subsidy to mass transit has increased from \$25.5 million in FY 04 to \$36 million in FY 07.

Earlier this year, TDOT staff began drafting a plan to address the anticipated budget shortfall with a transit fare increase. Staff reviewed the proposed fare structure with the Citizens Transportation Advisory Committee (CTAC) on March 3, and received a final recommendation to approve the proposal on May 5. Additionally, staff presented the proposed fare increase to Mayor and Council Transportation Subcommittee on March 13 and May 8 and again to Mayor and Council Study Session on June 3, 2008.

The proposed fare increase calls for a 25 percent increase for all fare categories with the exception of the Express Fare and the Day Pass. The Express Fare increase is proposed to be a doubling of the current fare. The Day Pass is proposed to increase by 50 percent.

Between April 2 and April 12, six public open houses were held to seek community input on the proposed transit fare increase. A brief presentation and written materials were provided to individuals at these meetings. Attendees were provided with comment forms to record feedback.

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Additionally, public input was sought through bilingual comment cards on buses, at pass sales outlets, and at other public locations. Sun Tran also encouraged customers to call or e-mail their comments to its customer service center. A summary of public outreach efforts is provided in *Attachment C*.

Feedback obtained from the public indicates that some individuals, particularly express riders, are dissatisfied with the proposed fare increase; however, the public seems to have a general understanding and acceptance for the need to increase fares. A public input summary is provided in *Attachment D*.

The financial impact of proposed fare increases on seniors, persons with disabilities and qualified low-income individuals has been carefully considered. Many of these individuals are transit dependent, and the public seems to prefer the proposed fare increase over a reduction of transit service. Financial impact is to some extent mitigated through the Economy Fare program which offers a 60 percent discount off full fares to these riders. Similar discounts are also available to qualified low-income Van Tran customers. The discounts offered by the City of Tucson far exceed the reduced fare requirements of the Federal Transit Administration (FTA).

Analysis

Operating Expenses:

In eight years since the last fare increase, Sun Tran total operating expenses have increased 55 percent, and total system cost per mile has increased 44 percent. Most notably, fuel costs have increased 263 percent.

The region's increasing traffic congestion negatively impacts Sun Tran's operating costs. Generally, each one mile per hour of system speed lost costs the system approximately \$2.1 million annually. As congestion grows, our buses experience more delay. In addition to congestion, road construction and detours slow the buses down, and as more and more passengers board and de-board the vehicles, it takes longer at each stop to collect their fare, have them be seated, etc. To maintain the same frequency or headways along our routes, more buses are needed to run along those routes to maintain the same schedule.

Ridership and Revenues:

Increasing ridership over the past six years has contributed to an increase in revenues, but the revenue growth has not kept pace with operational costs.

In FY 06-07, nearly 17.9 million passenger boardings generated revenues of \$8,705,144. Sun Tran's cost per passenger boarding was \$2.33 and the system yielded average revenue of \$.49 per passenger boarding. The difference between the cost per boarding and the average revenue per boarding is \$1.84, representing an 80 percent passenger subsidy. For passengers paying full fares, the average revenue per boarding was \$.69. This represents a 70 percent subsidy, or a \$1.64 subsidy per boarding. Passengers qualifying for economy fares contribute average revenue per boarding of \$.24. This represents a 90 percent subsidy of \$2.09 per boarding. Also, the ratio of fares paid by customers versus the total system operating expenses, or Farebox Recovery Ratio, has declined to 19.6 percent, down from 23.3 percent in FY 00-01.

As the Farebox Recovery Ratio declines, the City's general fund subsidy to the Mass Transit Fund has increased from \$25.5 million in fiscal year 2004 to an estimated \$38.0 million in fiscal year 2008. Also, as the table below depicts, while the RTA has yet to clarify/define its maintenance of effort requirement, the City's general fund subsidy has clearly surpassed the Gross Domestic Product (GDP) factor used by the RTA.

<u>Fiscal Year</u>	<u>General Fund Subsidy</u>	<u>% Change</u>	<u>GDP Factor</u>
2004	\$25.5 M		
2005	\$28.6 M	12.16%	3.719%
2006	\$35.3 M	23.43%	3.133%
2007	\$36.0 M	1.98%	3.020%
2008	\$38.0 M (est.)	5.56%	

Although the city has approved six fare increases in the last 28 years from fiscal year 1980 through fiscal year 2008, Sun Tran's fares have not kept up with the rate of inflation as measured by the Consumer Price Index (CPI).

The chart on *Attachment E* compares the fares from June 1980 and applies the 28-year C.P.I. to indicate what the fares should be if fares that were instituted in June 1980 were to match the underlying C.P.I. In addition, an 8-year period was used from the last fare increase that was effective on July 1, 2000. This analysis only addresses the relative impact of inflation on the fares at two points in time and makes no value judgment regarding the fares themselves.

Peer System Review:

A study of 33 peer agencies shows 78 percent of systems report one-way cash fares exceeding Sun Tran's base fare of \$1.00. These agencies charge a base fare between \$1.25 and \$2.00. One-hundred percent of agencies reported a full fare monthly pass cost that exceeds Sun Tran's \$28 monthly pass. Peer systems' monthly pass costs range from \$30 to \$55. Additionally, the study revealed that Sun Tran was the sole agency with a \$2.00 Day Pass. Of the 48 percent of systems that offer customers a day pass, Sun Tran was the sole agency with a Day Pass below \$2.25.

As previously noted, the City of Tucson exceeds federal regulations by offering reduced transit fares through its low-income program. The peer study revealed that only one other agency offers a low-income fare to customers.

Complete information gathered from the peer agency study is included in *Attachment F*.

Financial Considerations – It is important to note that Regional Transportation Authority funds cannot be used to augment current transit service.

Based on ridership and revenue projections, Sun Tran anticipates budget shortfalls of \$1,112,329 in FY 08-09, and \$3,049,213 in FY 09-10, cumulating in a two-year budget shortfall of \$4,161,542.

The financial impact of the proposed revenue increase is \$2,108,610 in FY 08-09 and FY \$2,063,846 in FY 09-10. The cumulative increase in projected revenues totals \$4,172,456.

Legal Considerations – Changes made to the City's transit fare structure must meet FTA requirements. At a minimum, the City must offer half-fares to persons with disabilities, persons 65 years of age and older, and Medicare cardholders in off peak hours on regular routes, and paratransit fares must not exceed double the fixed-route one-way regular fare.

Should the City decide to reduce transit service in lieu of a fare increase, service reductions are also subject to Title VI regulations, and the Department of Transportation would be required to once again solicit public comments on a detailed plan for recommended service reductions.

Respectfully submitted,



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Attachments:

- A. Ordinance (proposed ordinance included)
- B. Proposed Fare Changes
- C. Summary of Public Outreach Efforts
- D. Summary of Public Comments
- E. Sun Tran Fare History
- F. Sun Tran Peer System Review